

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by Act of Parliament)

BHUBANESWAR BRANCH OF EIRC OF ICAI



e-News Letter

September - 2017

ICAI BHAWAN

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From Chairman's Desk

Dear Professional Colleagues

Greetings

It gives me immense pleasure to get connected with you all once again through this September 2017 edition of Members' e-Newsletter. I extend my thankfulness to my colleagues in Managing Committee of Bhubaneswar Branch who have always supported me and encouraged me to perform.

As we step into a new era of socio-economic growth, reforms to ensure the same have started taking shape. The government keeps belting out new legislations, and as the charioteers of the economic vehicle, we have to steer it forward and keep it stable. Sans skills, we will only end up ruining the future of our nation, causing a retrogressive scene. It is through a steady upgrading of our acumen and finesse, that we can uphold the flag of development. Keeping our brain open and receptive of knowledge, our eyes looking out for newer improvements, our ears alert to the general public's issues is the best way to equip ourselves to fight ordeals of the financial situation.

Last month, we conducted IND AS Certification Course, Seminar on GST-Transition and Carry Forward of Input Tax Credit, S Vaidyanath Aiyar Memorial Lecture - Attitude: The Master Key to Success & Happiness, GST Outreach Programme, Seminar on Insolvency and Bankruptcy Code 2016 for our members, we celebrated 71st Independence day and Ganesh Chaturthi at our branch premises.

We are Planning to conduct Two days residential workshop on GST, Seminar on leadership and motivation. We are holding Campus placement programme for newly qualified CAs at Bhubaneswar branch of EIRC of ICAI. Other than the above we are planning to celebrate Teachers' Day and Supporting Govt. Initiatives- "Swachhta Hi Sewa" & "Quit India Movement" Under The Theme 'Sankalp Se Siddhi- Attainment Through Resolve' A Cleaness Drive.

I would request all our members to participate, come together and derive maximum benefit out of the programmes conducted by our branch. Any type of suggestions, grievances, participation is always welcome from all our members.

Thank you!

With Warm Regards

CA. Rashmi Ranjan Mishra,
Chairman

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ERP-A Changing Paradigm to Audit procedure

CA. Chitta Ranjan Das

Today human beings live in the computer era. In every spear of life, be it personal or business, as if computer becomes a part and parcel of life. Many ERP packages are developed using SAP, Oracle, BAAN, People soft, JD Edward etc., to become more efficient in solving critical issues within a short span of time. The use of computers and InfoTech are huge now-a-days. The increasing use of such InfoTech in business houses to handle all day-to-day and commercial activities have made it incumbent upon the Chartered Accountants and the profession as a whole to have a comprehensive working knowledge of computer technology and the ways in which it impinges upon the role of the accountant, by way of hindering or helping him in carrying out his audit functions. Customized ERP solutions are a tool which can be used by an accountant in Auditing. This article begins by redefining the role of auditing in the InfoTech age, before going on to enumerate the orientation of the ERP system. It shows how ERP can be used to usefully audit a computerized environment before discussing the need for auditing log-ins.

In the recent past, most mid-and big sized organizations have adopted customized ERP solutions. This has resulted in high level of automation in data capture and accounting. The points at which the data is captured and the way it is processed has changed. Classically, accounting used to be end product of any logistics process. Today it is simultaneous and happens in the background. The process of accounting has witnessed new agents responsible for accounting. The classical role of an accountant is shared by non-accountants together with accountants. Apparently, auditing in such an environment requires innovative approaches. This paper identifies the changing paradigms and suggests newer methodology in Auditing.

AUDITEE REDEFINED:

Traditionally an accounting clerk of the organization was the auditee. He used to prepare vouchers and these vouchers would then be batch-processed. Auditing revolved around this limited group of employees. In modern ERP environment, it is the user log-in, which serves as an auditee. The role definition

of this user log-in is in terms of the authorizations it has, to perform operations/transactions in an ERP system. This log-in may be owned not necessarily by an accountant but also by a salesman who does billing or by the Storekeeper who creates a goods receipt-note in the system.

NEW ROLES:

Some new users have been added to the list of Auditees. One is the System Administrator. He has a super log-in ID in the system. He has the overall responsibility and authority for creating new users and monitoring the existing users. He can provide additional authorizations to the users. He himself has almost all the authorizations as relevant. This is a critical area of audit.

Another user is an external agent like a vendor/customer. With the advent of e-commerce, web based businesses are common. A customer can transact business on the internet. This becomes the primary source of accounting entries.



ACCOUNTING ENTRIES:

In the olden days, the accounting entries were passed in a batch-processing mode. All the invoices were batch-processed so were the vendor bills; so were all the accounting JVs. The accountants had more control over the entries being passed. Today, the system

passes those entries. They are not visible while being passed. The accounting impact is simultaneous with the logistics transaction. Entries if wrongly passed can be detected only through detailed scrutiny. There is thus a perceived loss of control.

GEOGRAPHICAL SPREAD IS REDUNDANT:

In the ERP scenario, all the geographical locations of the company could be interlinked to the Central Server. This implies that the auditing of a branch office, say, in Chandigarh can be audited in the head office in Mumbai. The auditing process can thus be more comprehensive than earlier. All these factors have a radical impact on the traditional

auditing methodology. This calls for a different audit approach and demands additional skills on the part of auditing community.

Discussed below are the new approaches, which need to be learned for effective auditing in an ERP scenario.

ORIENTATION OF THE ERP SYSTEM:

An ERP system is an integrated approach of data capture. The primary data flows to accounting through logistics transactions. The accounting entries are passed in the background. The ERP consultants customize the system in a manner that appropriate accounting entries are passed in accordance with generally accepted accounting standards. It is necessary for auditors to understand the business algorithm and data flows mechanism in depth. Though it may not be necessary to be well versed with customizing techniques, it

is a must to understand and audit the accounting aspects of any logistics transaction.

Auditors need to understand the fact that manual JVs in an ERP environment are few. Automated entries are the rule of the day. It may be a good idea for auditors to go through the customizing documentation prepared by the consultants and also the business blue print. This will help in understanding how ERP has been implemented.

An auditor should study the following:

- ERP has an audit trail which needs to be enabled. The auditor needs to be aware of how the system records the audit trail for an end-to-end analysis of a given transaction.
- Understanding the system tools of inventory valuation and depreciation accounting, and auditing the same has consumed a major portion of an auditor's time. ERP can automate these processes. It enables loading of all costs on to the closing inventory and perform periodic depreciation accounting. An auditor needs to understand how inventory valuation principles and depreciation methods have been customized.
- In depth understanding of the month-end processes: - Certain month end/ year-end processes are inevitable, for example, closing of accounting period, carry forward of balances etc. The ERP system is an on-line processing system. It has in-built period end programs. The auditor needs to be aware of all such period end activities and audit their accuracy.
- Detailed checkup of internal control points with ERP Parameters: - Independent of the transaction processing systems and methodologies, the cardinal principles of accounting and internal controls remain unchanged. As in ERP system, these controls are defined in soft terms, that is, in terms of programs, authorizations and validations; the auditor should prepare a list of internal control points and check them with the related parameter settings of the ERP System.



AUDIT OF USER LOG IN:

As mentioned earlier, the auditee is not the human user who operates the system but it is log-in which he uses to operate. It is bestowed with certain authorizations. These authorizations are the permits to do/view transactions/data, in the system.

The auditor should demand an exhaustive list of all the user log-ins, which exists in the system. The audit team should consist of not only accountants but IT professionals who can verify whether all user log-ins are audited or not. The set of authorizations associated with the log-in and the designed role of the user log-in need to be studied for inconsistencies.

The auditor should also know how individuals own these log-ins. The roles of employees need to be consistent with the log-ins they use.

The role of a system administrator is very important. It is he who provides authorizations to a given user log-in. The authorizations are crucial and need to be audited. With the advent of e-commerce, the ERP system interfaces with customers and vendors. The auditors must understand this interface is very clearly, as the transactions captured through this interface may result in accounting transactions.

CONCLUSION:

Modern auditing involves audit of systems designed for accounting in a more comprehensive manner than the audit of the accounts. As the system is automated, probability of errors and frauds is minimized with proper setting of parameters and controlled user access. Auditors must ensure that the way the system is designed and operated minimizes the scope for errors and fraud.



Notification from different departments during August - 2017

Notification No	Notification Date	Act	Areas	Subject	For Details Please Refer
08/2017-Cus (CAA/DRI)	11-Aug-17	Customs	Non-Tariff	Appointment of Common Adjudicating Authority by DGRI	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/cscaadri08-2017.pdf
09/2017-Cus (CAA/DRI)	11-Aug-17	Customs	Non-Tariff	Appointment of Common Adjudicating Authority by DGRI	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/cscaadri09-2017.pdf
23/2017-CENT	9-Aug-17	Central Excise	Non-Tariff	Seeks to specify return forms ER-1 & ER-3 under rule 12 of Central Excise Rules, 2017 and rule 11 (5) of CENVAT Credit Rules, 2017 in supersession of Notification No. 16/2011-CE (NT).	http://cbec.gov.in/htdocs-cbec/excise/cx-act/notifications/notfns-2017/cx-nt2017/cent23-2017.pdf
24/2017-CENT	9-Aug-17	Central Excise	Non-Tariff	Seeks to specify return ER-2 under rule 23 (3) of Central Excise Rules, 2017 and rule 11 (3) of CENVAT Credit rules, 2017 in supersession of Notification No. 24/2008-CE (NT).	http://cbec.gov.in/htdocs-cbec/excise/cx-act/notifications/notfns-2017/cx-nt2017/cent24-2017.pdf
25/2017-CENT	16-Aug-17	Central Excise	Non-Tariff	Seeks to amend Notification No. 45/2001-CE (NT) dated 26 June, 2001	http://cbec.gov.in/resources//htdocs-cbec/excise/cx-act/notifications/notfns-2017/cx-nt2017/cent25-2017.pdf
37/2017-Cus (ADD)	9-Aug-17	Customs	Anti-Dumping Duty	Seeks to impose anti-dumping duty on "Opal Glassware", originating in or exported from China PR and UAE.	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/csadd37-2017.pdf
38/2017-Cus (ADD)	18-Aug-17	Customs	Anti-Dumping Duty	Seeks to impose anti-dumping duty on " Textured Toughened (Tempered) Glass ", originating in or exported from China PR	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/csadd38-2017.pdf
39/2017-Cus (ADD)	23-Aug-17	Customs	Anti-Dumping Duty	Seeks to amend notification No. 49/2012 - Customs (ADD) dated the 26th November,2012 to modify the amount of anti-dumping duty on import of Caustic Soda originating in or exported from Iran, Saudi Arabia and USA.	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/csadd39-2017.pdf



40/2017-Cus (ADD)	25-Aug-17	Customs	Anti-Dumping Duty	Seeks to impose anti-dumping duty on the imports of "Sodium Nitrite" originating in or exported from China PR.	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/csadd40-2017.pdf
41/2017-Cus (ADD)	29-Aug-17	Customs	Anti-Dumping Duty	Seeks to continue anti-dumping in force concerning imports of "Metronidazole" originating in or exported from China PR.	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/csadd41-2017.pdf
42/2017-Cus (ADD)	30-Aug-17	Customs	Anti-Dumping Duty	seeks to levy definitive anti-dumping duty, on Castings for Wind Operated Electricity Generators originating in or exported from China PR for a period of five years (unless revoked, superseded or amended earlier).	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/Notification-42-2017%20(ADD)%20-%20English.pdf
43/2017-Cus (ADD)	30-Aug-17	Customs	Anti-Dumping Duty	seeks to impose anti-dumping duty on "Styrene Butadiene Rubber (SBR)", originating in or exported from European Union, Korea RP or Thailand.	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-add2017/43%20of%202017-cus(ADD)%20english.pdf
71/2017-Cus	11-Aug-17	Customs	Tariff	Seeks to further amend notification No.50/2017-Customs dated the 30th June, 2017, so as to 1> Increase the BCD on crude soya bean oil from 12.5% to 17.5%; 2> Increase the BCD on crude palm oil of edible grade from 7.5% to 15%; and 3> Increase the BCD on refined palm oil of edible grade from 15% to 25%.	http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-tarr2017/cs71-2017.pdf
72/2017-Cus	16-Aug-17	Customs	Tariff	Seeks to supersede Notification No. 27/2002- Customs dated 1st March, 2002 and to provide exemption to temporary import of goods from Customs duty leviable under First Schedule to the Customs Tariff Act, 1975 and from the whole of the integrated tax leviable under sub-section (7) of section 3 of the Customs Tariff Act, 1975 subject to specified conditions.	http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-tarr2017/cs72-2017.pdf
73/2017-Cus	18-Aug-17	Customs	Tariff	Seeks to further amend notification no. 60/2011-customs dated 14th July 2011 to give effect to renewed MoU on India-Bangladesh border haats.	http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-tarr2017/cs73-2017.pdf
75/2017-Cus (NT)	3-Aug-17	Customs	Non-Tariff	Rate of exchange of conversion of the foreign currency with effect from 4th August, 2017	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt75-2017.pdf



76/2017-Cus (NT)	4-Aug-17	Customs	Non-Tariff	Appointment Shri Sandeep Mohan Bhatnagar as the Director General (Safeguard) for the purposes of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt76-2017.pdf
77/2017-Cus (NT)	4-Aug-17	Customs	Non-Tariff	Seeks to notify the India - Korea Comprehensive Economic Cooperation Agreement (Bilateral Safeguard Measures) Rules, 2017	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt77-2017.pdf
78/2017-Cus (NT)	14-Aug-17	Customs	Non-Tariff	Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver- Reg.	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt78-2017.pdf
79/2017-Cus (NT)	17-Aug-17	Customs	Non-Tariff	Amendment in Notification no. 131/2016-Customs (N.T.) dated 31.10.2016 relating to AIRs of Duty Drawback on Gold Jewellery, Silver Jewellery and Silver Articles	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt79-2017.pdf
80/2017-Cus (NT)	17-Aug-17	Customs	Non-Tariff	Amendment to notification no. - 83/2012- Customs (N.T.) dated 17.09.2012	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt80-2017.pdf
81/2017-Cus (NT)	17-Aug-17	Customs	Non-Tariff	Notification No.81/2017-Customs (N.T.) dated 17th August, 2017 [Effective from 18th August, 2017]	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt81-2017.pdf
82/2017-Cus (NT)	24-Aug-17	Customs	Non-Tariff	Notification No.82/2017-Customs (N.T.) dated 24th August, 2017	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt82-2017.pdf
83/2017-Cus (NT)	31-Aug-17	Customs	Non-Tariff	Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver- Reg	http://cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2017/cs-nt2017/csnt83-2017.pdf



Programmes to be held during September - 2017

a. Member

I. TWO DAYS RESIDENTIAL WORKSHOP ON GST 2nd & 3rd Sept 2017

II. SUPPORTING GOVT. INITIATIVES- "SWACHHTA HI SEWA" & "QUIT INDIA MOVEMENT" UNDER THE THEME 'SANKALP SE SIDDHI- ATTAINMENT THROUGH RESOLVE' A CLEANNESS DRIVE 27th Sept 2017

b. Students

I. TEACHERS DAY CELEBRATION 5th Sept 2017

II. CAMPUS PLACEMENT PROGRAMME FOR NEWLY QUALIFIED CAS 13th & 14th Sept 2017

III. SEMINAR ON LEADERSHIP AND MOTIVATION 19th Sept 2017



Glimpses





Statutory Compliance Calendar September 2017

Event Date	Act	Applicable Form	Obligation
01-Sep-17	D-VAT	DVAT-48	Return of TDS for June quarter in DVAT-48
05-Sep-17	Goods and Services Tax	Form GSTR-1	Return of Outward Supplies for July by Regular & Casual Suppliers.
07-Sep-17	Income Tax	Form No.27C (TCS)	Submission of Forms received in Aug to IT Commissioner
07-Sep-17	Income Tax	Challan No.ITNS-281	Payment of TDS/TCS deducted/collected in Aug
08-Sep-17	Goods and Services Tax	Form GSTR-6	Return of Input Service Distributor for July
10-Sep-17	Goods and Services Tax	Form GSTR-7	Payment of TDS and filing of Return of GST TDS for Aug.
10-Sep-17	Goods and Services Tax	Form GSTR-8	Payment of TCS and filing of Return/Statement of GST TCS by e-commerce operator for Aug
10-Sep-17	Goods and Services Tax	Form GSTR-2	Return of Inward Supplies for July by Regular & Casual Suppliers.
15-Sep-17	Income Tax	Challan No.ITNS-280	Payment of Advance Income Tax : All assessee (45%) (except 44AD cases)
15-Sep-17	Provident Fund	Electronic Challan cum Return (ECR)	E-Payment of PF for Aug
15-Sep-17	ESI	ESI Challan	Payment of ESI for Aug Applicable for Salary up to Rs. 21,000 instead of 15,000 earlier)
15-Sep-17	Goods and Services Tax	Form GSTR-3	Payment of GST and filing of Return for Inward & Outward Supplies for July by Regular & Casual Suppliers.
20-Sep-17	Goods and Services Tax	Form GSTR-5	Return of Inward & Outward Supplies for Aug by Non-Resident foreign taxable person.
20-Sep-17	Goods and Services Tax	Form GSTR-1	Return of Outward Supplies for Aug by Regular & Casual Suppliers.
20-Sep-17	Goods and Services Tax	Form GSTR-3B	Payment of GST and filing of Return for Inward & Outward Supplies for Aug by Regular & Casual Suppliers.
23-Sep-17	Goods and Services Tax	Form GSTR-6	Return of Input Service Distributor for Aug
25-Sep-17	Goods and Services Tax	Form GSTR-2	Return of Inward Supplies for Aug by Regular & Casual Suppliers.
30-Sep-17	Goods and Services Tax	Form GSTR-3	Payment of GST and filing of Return for Inward & Outward Supplies for Aug by Regular & Casual Suppliers.